

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF INVESTMENT POLICY  
FOR  
GEOGRAPHIC GUIDELINES FOR REAL ESTATE INVESTMENT**

**September 15, 2008**

This Policy is effective immediately upon adoption and supersedes all previous international real estate policies.

**I. PURPOSE**

This document sets forth the investment policy ("the Policy") for guidelines for global real estate investing. The design of this Policy ensures that investors, managers, consultants, or other participants selected by the California Public Employees' Retirement System ("the System") take prudent and careful action while managing the real estate portfolio. Additionally, use of this Policy provides assurance that there is sufficient flexibility in controlling investment risks and returns associated with global real estate investment.

**II. STRATEGIC OBJECTIVE**

The strategic objective of the Geographic Guidelines for Real Estate Investment Policy is to stratify the global universe to allow for clear and efficient diversification of real estate investments.

**III. INVESTMENT APPROACHES AND PARAMETERS**

**A. Geographic Guidelines**

CalPERS shall pursue a global real estate investment strategy. The following guidelines will apply across the entire real estate portfolio. The global universe will be divided as follows for purposes of delineating the geographic diversification of real estate investments:

Region	Allocation	Definition
<u>Developed Markets</u>  “Developed Markets” is further bifurcated into US and Ex-US markets.  US  Ex-US* *investment in any one Ex-US country is limited to 20% of the total real estate portfolio	75%-100%  40%-90%  10%-60%	As defined by the FTSE Global Equity Index Series.  US NCREIF regions + Puerto Rico  Any location outside of US market as defined above.
<u>Emerging Markets</u>	0%-20%	As defined by the FTSE Global Equity Index Series as “Advanced Emerging” or “Secondary Emerging”.
<u>Frontier Markets</u>	0%-5%	Countries not defined by the FTSE Global Equity Index Series as “Developed”, “Advanced Emerging”, or “Secondary Emerging”.

## B. Guidelines for Non-Developed Markets Investments

### 1. CalPERS Emerging Equity Markets Principles

Staff and Partners shall be guided by the CalPERS Emerging Equity Markets Principles for all real estate investments in such countries. Staff shall report any such exposure on an annual basis to the Investment Committee.

### 2. United Nations Principles for Responsible Investment

For investments in developing and emerging markets, Staff shall make every effort to apply the United Nations Principles for Responsible Investments.

### 3. Frontier Market Investing

Frontier Market investing shall be allowed only if approved by the Investment Committee, with the following exception. Investments in individual commingled funds which contain strategies investing up to 10% in Frontier Markets shall be allowed and are not required to be approved by the Investment Committee.

## IV. CURRENCY

The Real Estate Unit will consider currency exposure issues with each investment and seek to mitigate currency risks. Staff and the CalPERS Board of Administration's Real Estate Consultant will coordinate appropriate strategies until and if a broader System-wide currency policy is implemented.

## V. GLOSSARY OF TERMS

Definitions for key words used in this policy are located in the Real Estate Glossary of Terms which is included in the System's Master Glossary of Terms.

### International Equity Real Estate

Approved by the Policy Subcommittee:	April 24, 1998
Adopted by the Investment Committee:	May 15, 1998
Revised by the Policy Subcommittee:	June 13, 2003
Approved by the Investment Committee:	August 18, 2003
Revised by the Policy Subcommittee:	March 12, 2004
Approved by the Investment Committee:	April 19, 2004
Revised by the Policy Subcommittee:	September 16, 2005
Approved by the Investment Committee:	October 17, 2005

### Name changed to Geographic Guidelines for Real Estate Investment

Revised by the Policy Subcommittee:	August 18, 2008
Approved by the Investment Committee:	September 15, 2008